

To: Health Insurance Advisory Council

From: Patrick M. Tighe, Principal Policy Associate and Cory King, Intern, Bailit Health Purchasing

Subject: Small and Large Group Approved Rate Factors Monitoring Data (Quarter One to Quarter Three 2012)

Date: November 20, 2012

This memo summarizes for the Health Insurance Advisory Council (HIAC) the initial data submitted for the first three quarters of 2012 for the small and large group approved rate factors quarterly monitoring and assessment process recently instituted by the State of Rhode Island Office of the Health Insurance Commissioner (OHIC). The purpose of this process is to create additional accountability and transparency around commercial health insurance issuer compliance with OHIC's approved expected overall average trend for each market, which is meant to measure and hold issuers (and the delivery systems with whom they contract) accountable for the overall trend in the costs of medical care.

The expected overall average premium trend is the result of an issuer's approved rate factors for the small and large group market. It is a cumulative rate cap—meaning that the actual weighted average percentage change of all final offers of renewal premiums for the full calendar year, compared to prior year premiums, for the same product should not exceed the Commissioner's approved expected overall average premium trend. Issuers are expected to be in compliance with the expected overall average premium trend on an annual basis even though monitoring takes place on a quarterly basis.

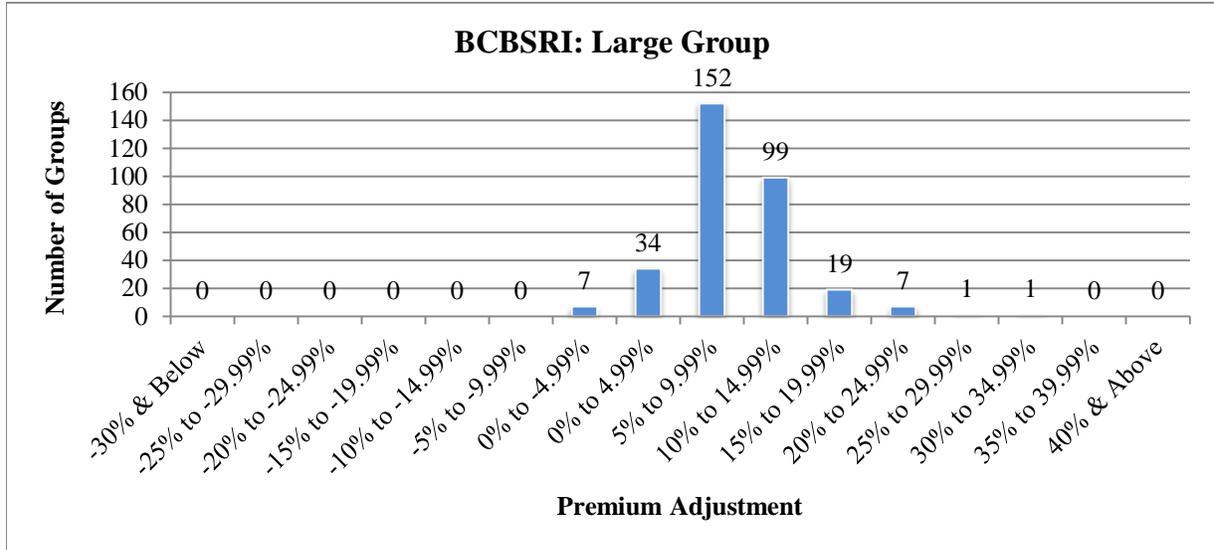
The tables below show the data submitted by Blue Cross Blue Shield of Rhode Island (BCBSRI), Tufts Health Plan (Tufts), and United Healthcare (United) for each market. Please note that the figures listed below represent the actual overall average premium trends for groups with renewal rates effective for the quarters shown and expressed in terms of current benefits.

Blue Cross Blue Shield of Rhode Island

	First Quarter	Second Quarter	Third Quarter	Annual to Date	Approved Increase for 2012
Small Group	7.50%	7.80%	7.40%	N/A*	8.0%
Large Group	9.85%	10.43%	8.25%	9.67%	9.6%

*Information was not provided.

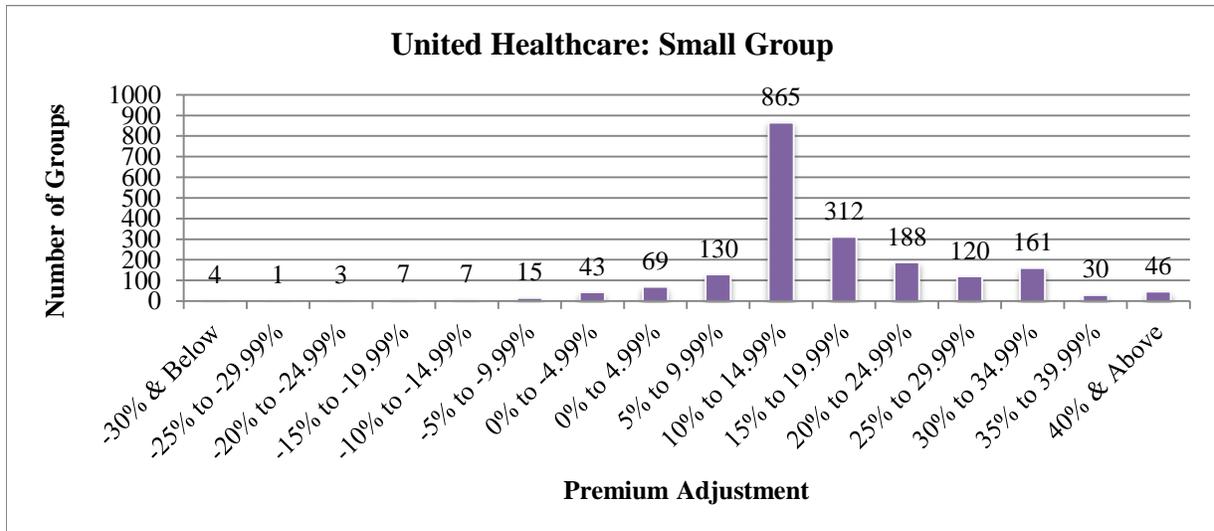
For 2012, issuers have the option of providing small group data in the format of their choosing and so BCBSRI did not provide annual to date data for this market.

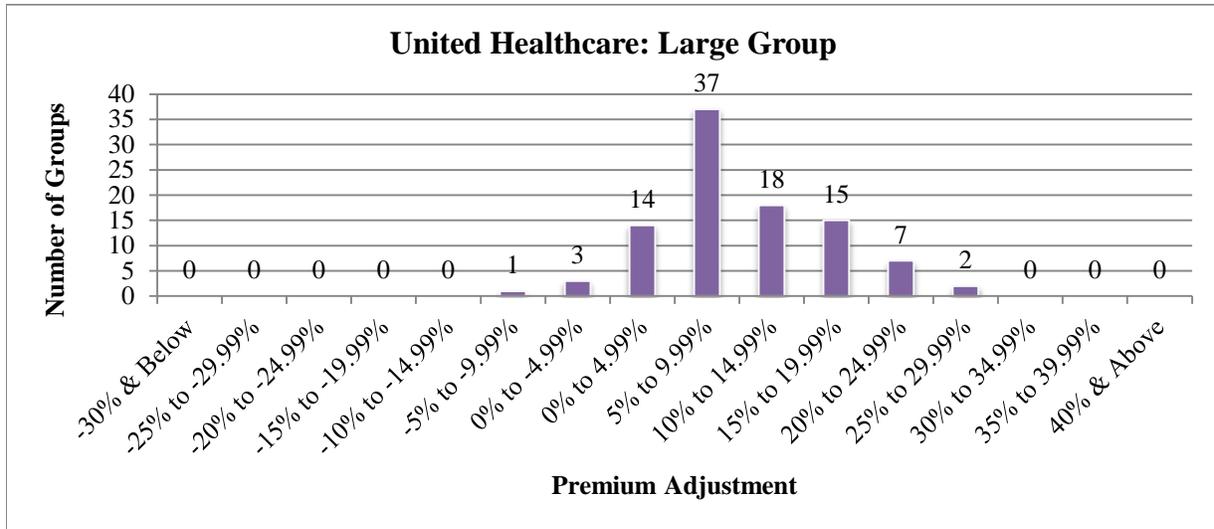


United Healthcare

	First Quarter	Second Quarter	Third Quarter	Annual to Date	Approved Increase for 2012
Small Group	16.33%	15.92%	16.32%	16.22%	10.60%
Large Group	8.79%	10.92%	7.10%	8.89%	10.00%

OHIC has requested that United provide an explanation of the discrepancy between their 2012 small group approved expected overall average premium trend and their annual to date actual overall average premium trend.

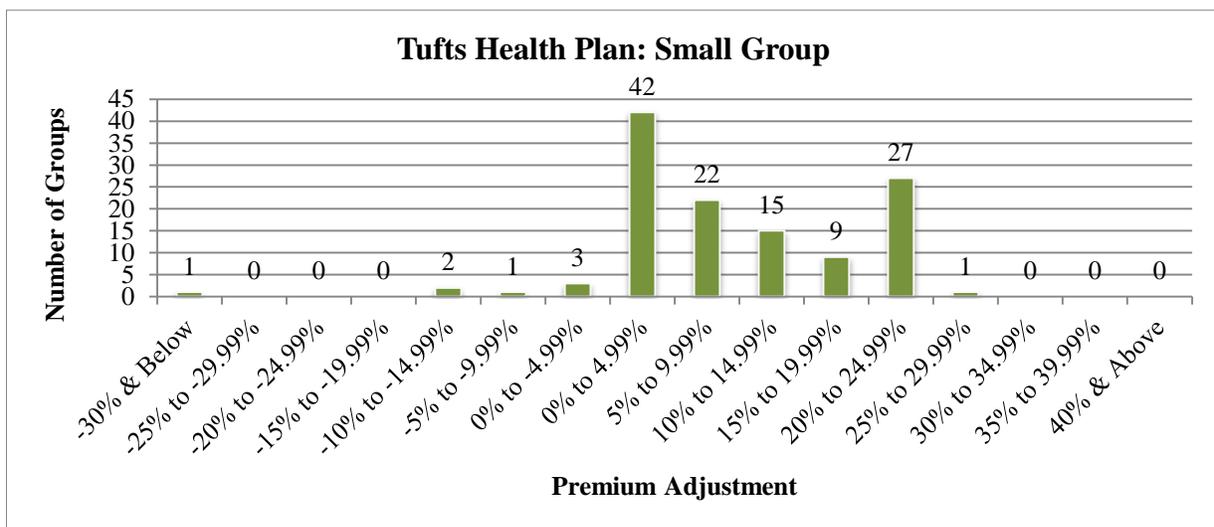


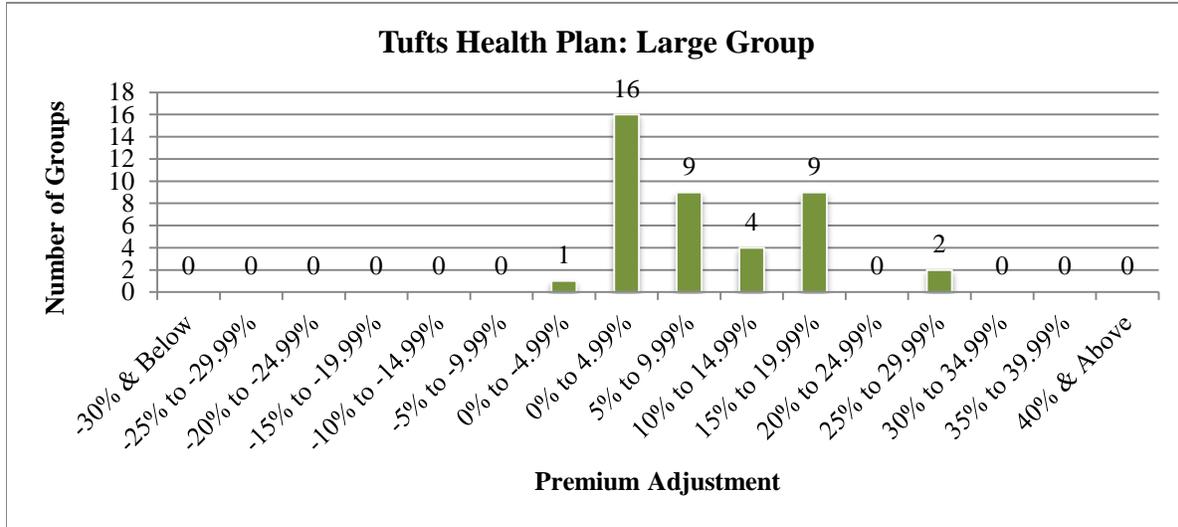


Tufts Health Plan

	First Quarter	Second Quarter	Third Quarter	Annual to Date	Approved Increase for 2012
Small Group	8.92%	10.14%	9.96%	9.73%	4.80%
Large Group	9.01%	6.93%	7.23%	8.35%	4.80%

Tufts has reported that the discrepancy between their 2012 approved expected overall average premium trend and their annual to date actual overall average premium trend in both markets is due to a small number of groups renewing in each quarter, resulting in volatility. Additionally, in the small group market, Tufts reports that many of their small groups are only one or two lives, creating a situation where such groups will virtually only get older and will do so inexorably at one year of age per year. With larger groups, all the insured members get a year older but there is ordinarily some movement with older workers leaving a group and younger workers coming on—somewhat offsetting the insured members who age.





The office will continue to work with issuers to refine the monitoring and assessment process going forward. HIAC will be updated on a regular basis as this work proceeds.